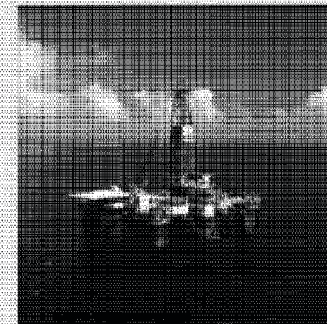
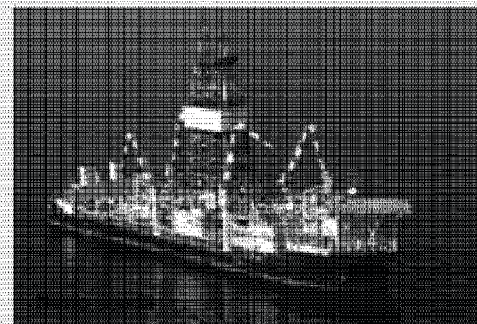
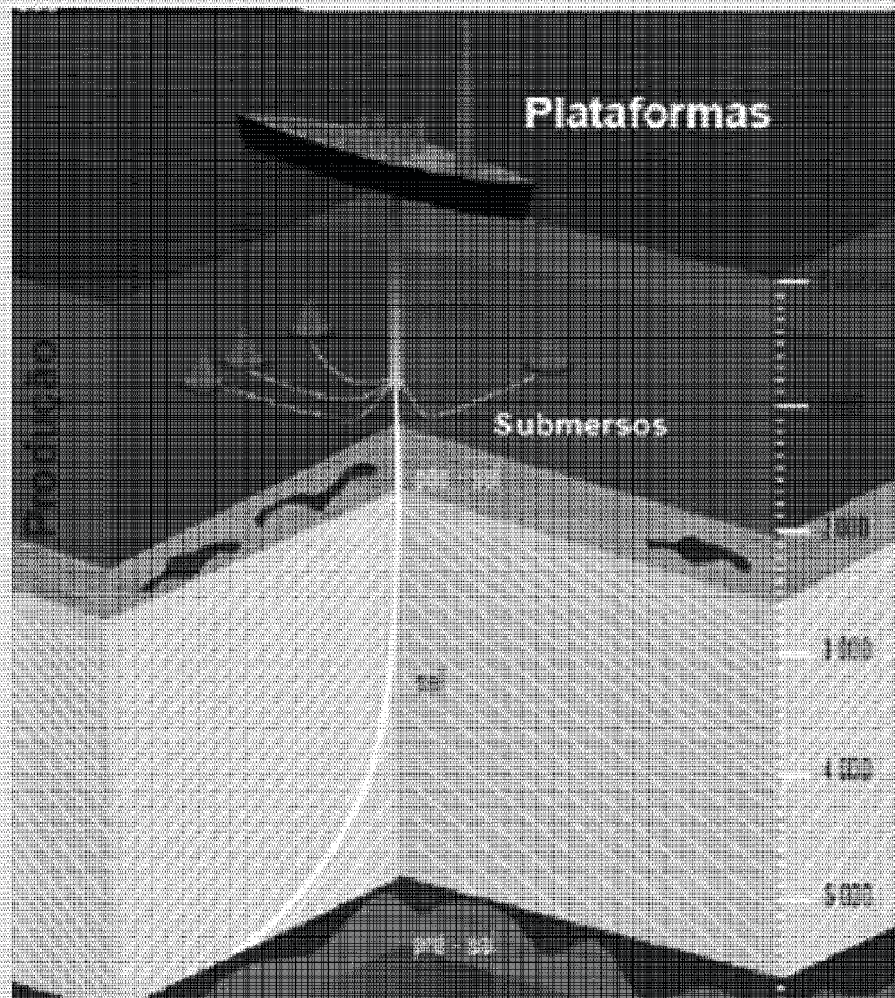


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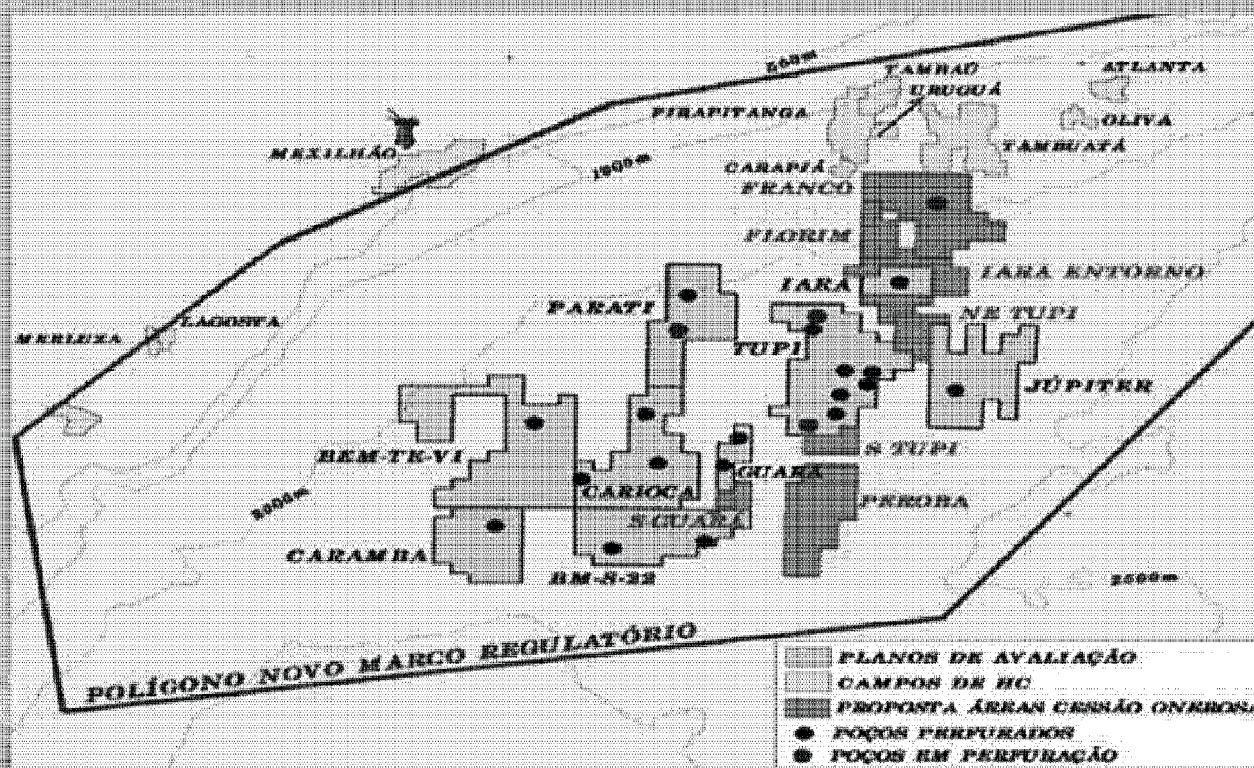
Drilling Rigs Demand (known)



- The 6 conceded blocks in the Pre Salt South Cluster area generate a long term demand of 40 drilling rigs;
- 1st set of 12 units: contracted back in 2008 and are expected to be delivery up to 2012;
- 28 remaining units: to be built in Brazil, and will be delivery from 2013 through 2018.

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New areas in Pre Salt - Transfer of Rights with Compensation



- After Petrobras started its recent program for contracting new drilling rigs (2008 and 2009) new areas in Pre Salt South Cluster have been added to Petrobras' portfolio;
- These new areas (Transfer of Rights with Compensation) mount approx. 3,900 km², or almost 10% of the already conceded area in Pre Salt;
- For these new blocks, Petrobras is the sole concessionaire.

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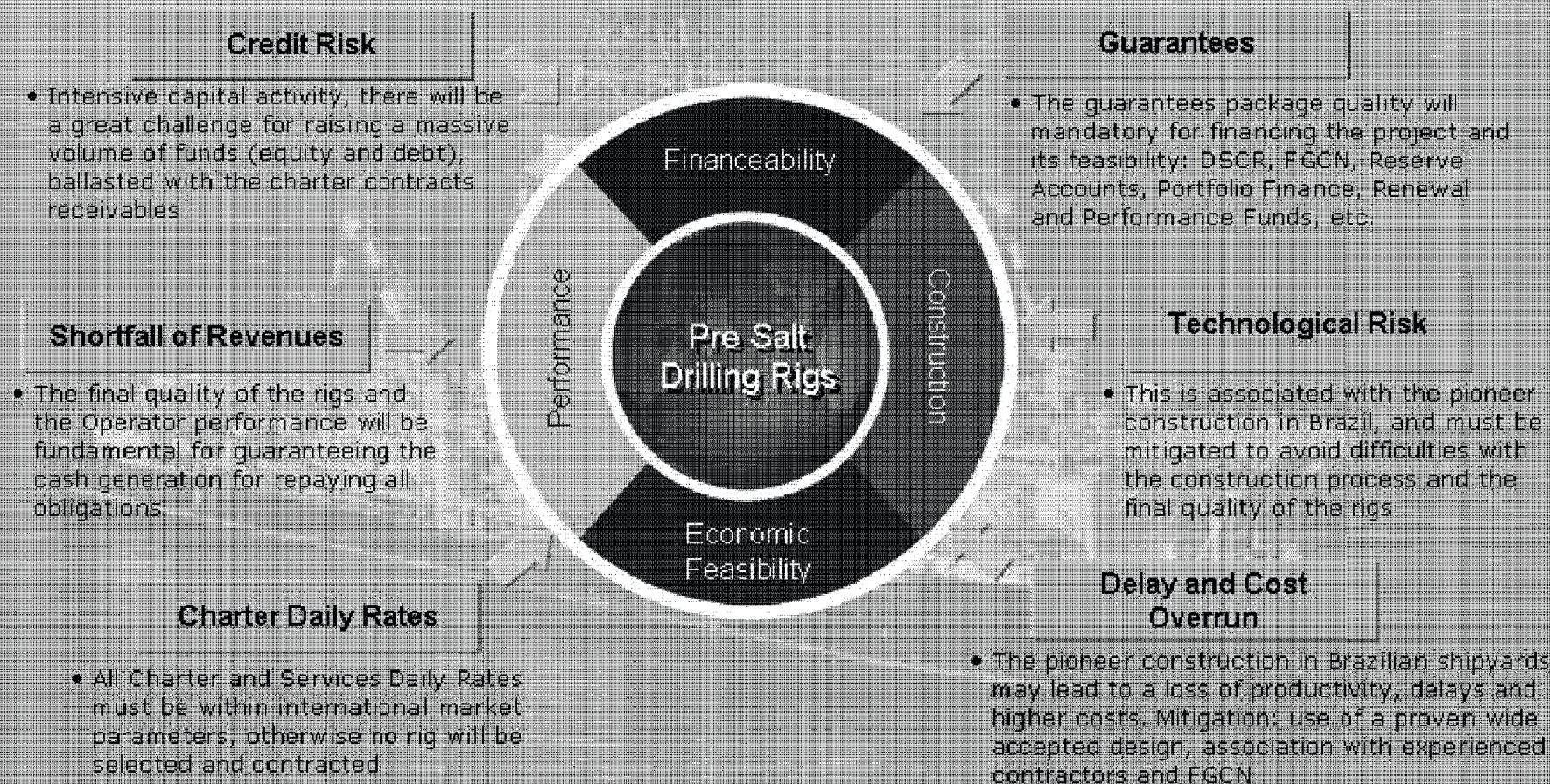
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Main Risks and Challenges

Being a new industry, the rigs pioneer construction in Brazil must be preceded by careful assessment of all associated risks and include a package of mitigation factors:



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Risks and Mitigations



RISKS	MITIGATING FACTORS	
	Traditional	Additional
Non acceptance upon delivery from shipyard	Use of a widely accepted design and a high performance shipyard with a successful history of construction	PB permanent supervision of shipyard's works and enforcing a high standard and experienced contractor association
Delay in delivery	Use of a high performance shipyard, warranties and liquidated damages	FGCN, contracting 7 identical units (learning curve) & enforcing shipyard association w/ an expert contractor
Cost Overrun	Use of a proved design, guarantee packages and insurance policies (BAR, DSU)	"Learning Curve" providing increase of productivity, shipyard collateral (FGCN), parametric index (pricing realignment)
Operator Low Performance	Use of a high standard and proved Operator and insurance policies	"Performance Fund", mechanism for Operator replacement, Operator & Petrobras as Company's shareholders
Financing (Credit)	Use of robust DSCR (over 1.20), assets residual value and an actual secondary market for such assets	Portfolio Finance structure, "Renewal and Performance Funds", PB as sponsor and construction supervisor and FGCN
Market Prices (for Daily Rates)	Long term contracts for drilling units chartering	Finance structure efficiency, longer tenors for debt repayment and comprehensive risks mitigation package

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Petrobras' strategy for contracting the *Brazilian* drilling rigs

PLAN A

- To bid among regular drilling services contractors, offering a 10-year charter/services contract, but including a provision demanding the drilling rig construction in Brazilian shipyards

PLAN B

- To create a finance structure, initially associating Petrobras with Finance Investors, which will contract the drilling rigs construction in Brazilian shipyards, but eventually transferring Petrobras' shares to pre selected traditional drilling operators

Both bid processes will be run in parallel and will end simultaneously, allowing Petrobras to arbitrate by comparing charter daily rates from each alternative. Petrobras may choose the drilling rigs from the best PLAN or even to contract rigs from both options.



Finance Structure Requirements

- To make the Project feasible the structure must:
 - comply with the premise of constructing the rigs in Brazilian shipyards;
 - require charter daily rates within international market parameters;
 - be bankable;
 - transfer drilling rigs ownership to drilling contractors;
 - attract interest from market regular players (drilling contractors, etc.);
 - be off balance sheet and non recourse to Petrobras.
- To reach such goals, the structure incorporates several features:
 - increase the tenor of the financing and its duration;
 - charter contract tenor detached from financing amortization schedule;
 - drilling rigs construction under Petrobras' permanent supervision;
 - risks mitigation enhancements, specially for rigs operation phase.

The structure shall enable the creation of a new and soundness market for drilling units in Brazil, including construction, operation and investments, with the participation of new "*Stakeholders*"

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Main Players Objectives - Petrobras and Brazilian Government

All Players were identified and their main objectives identified to be satisfied

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- To ensure the availability of its demand for drilling rigs for Pre Salt application, minimizing charter costs and associated risks

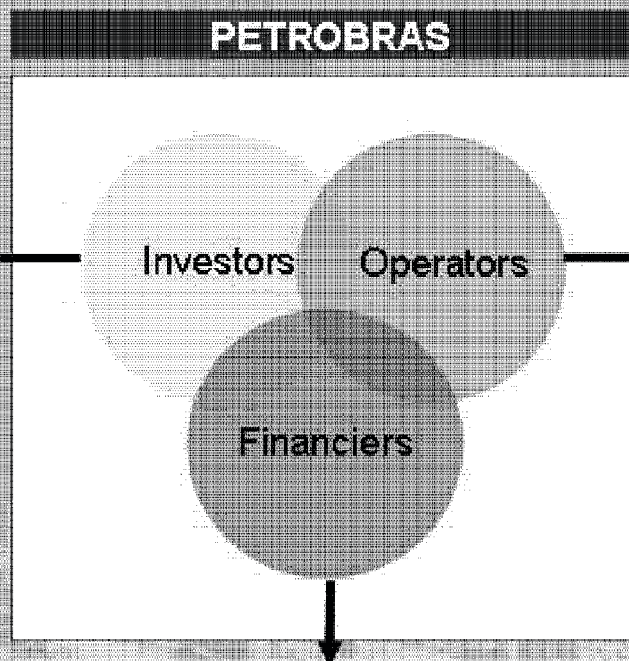
GOVERNMENT

- To make use of Petrobras' huge drilling rigs orders for promoting the creation of a new, modern and competitive naval industry in Brazil

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Benefits to Project Potential Players

- Downward interest rates scenario in Brazil provides the required incentive for Brazilian investors to evaluate new business opportunities
- Opportunity to participate in projects that may provide higher expectation of ROCE
- Explore "new business opportunities" together with Petrobras
- Brazilian Pension Funds become natural and important investors targets

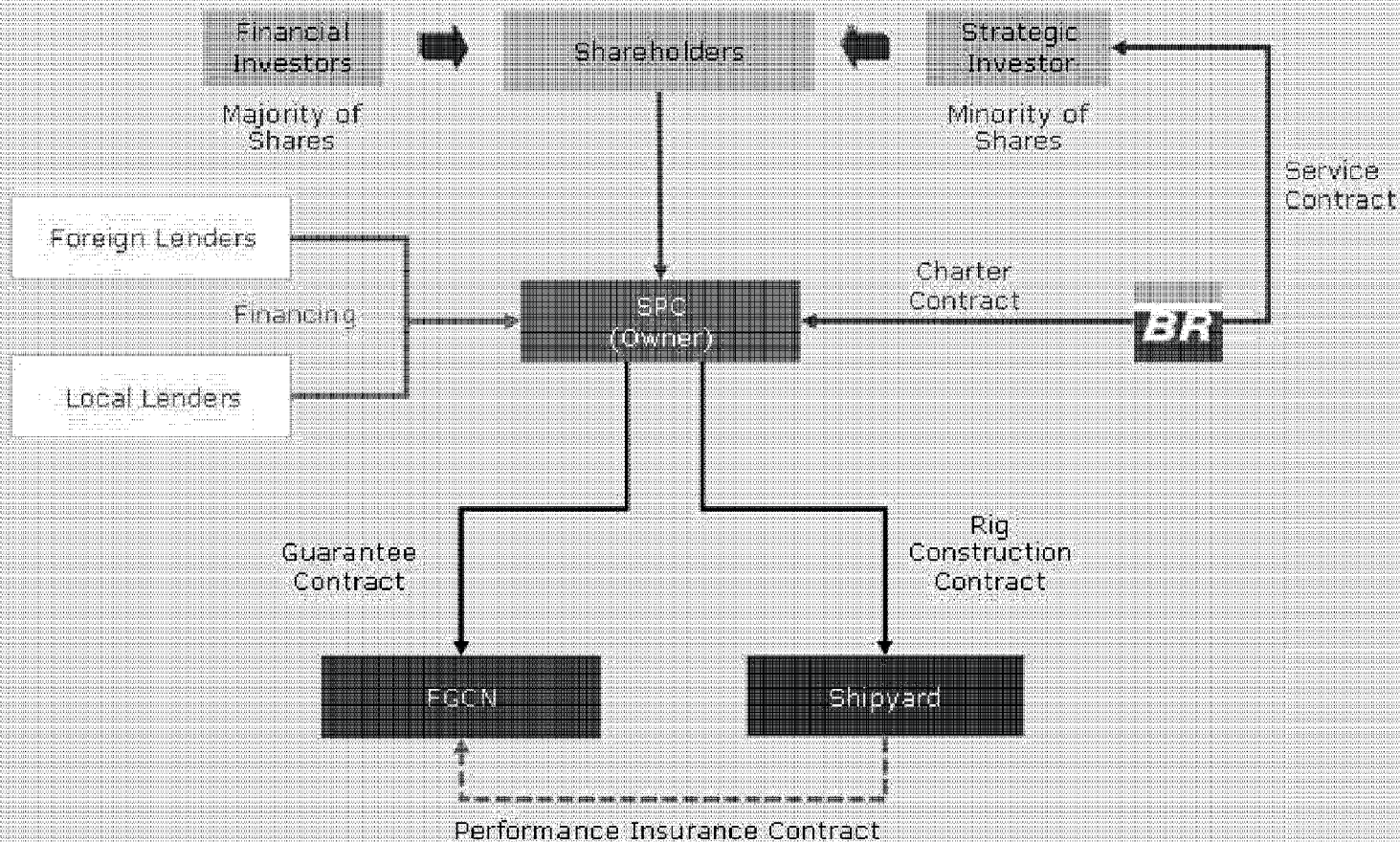


- Natural interest in this business niche
- Although interest maybe high, involved risks may impair their participation, which can be resolved by Petrobras' structure and strategy
- Some have limited capacity to develop a large number of project simultaneously
- Unique opportunity to participate in multiple projects in one shot
- Brazilian local operators, whereas experience proof and reliable, become natural targets
- Other international reliable operators may also participate

- BNDES will have an important and leading role for financing rigs construction, taking most of the long term debt;
- FGCN will reduce the construction risks perception and may enhance a higher interest from other potential financing entities, including ECAs;
- PRE SALT is attracting global recognition and calling attention from local and international financial investors and debt providers;
- Extra interest from other potential investors → to participate together with Petrobras in the creation of a new business niche

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The Basic Structure for Each Drilling Unit

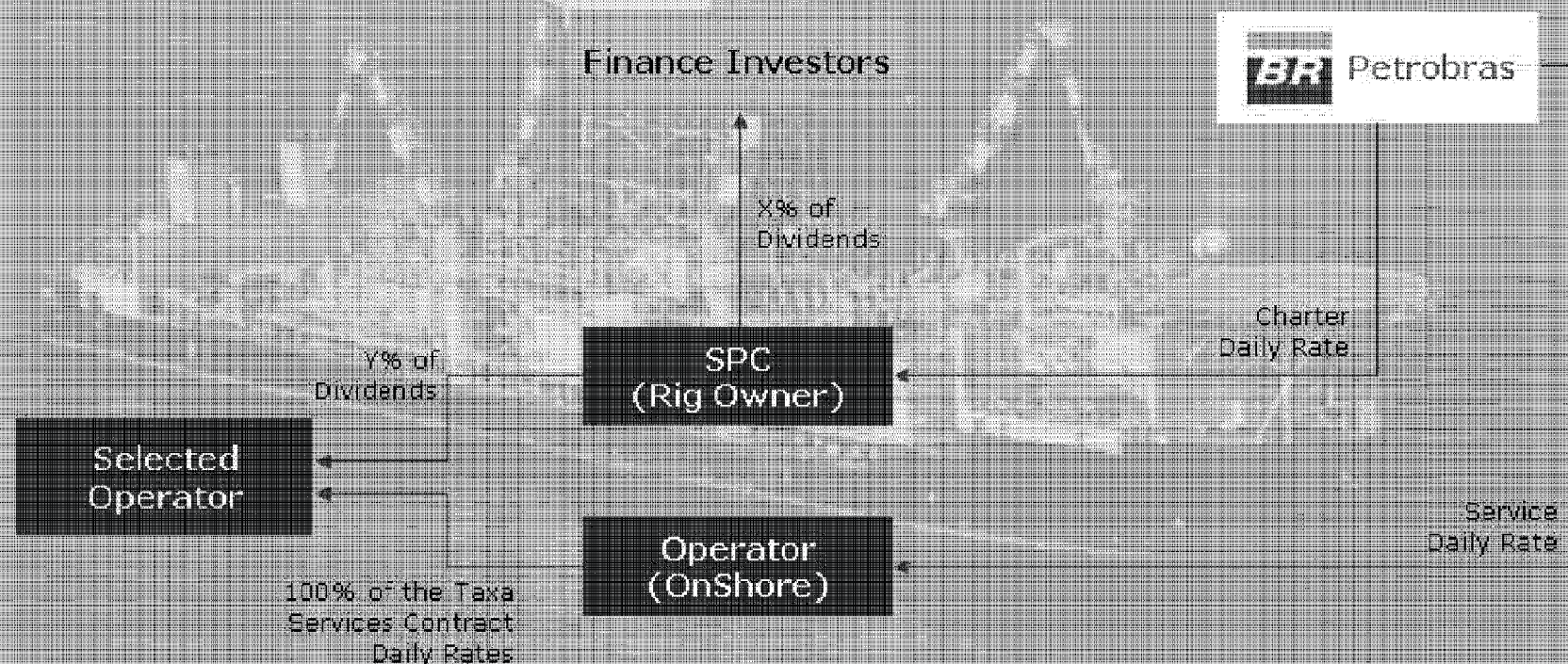


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Operators Revenues

Each of the selected Operators will have the right for 2 different flow of revenues:

- (1) Share of dividends generated by charter rates flows, as Owner Company shareholder
- (2) 100% of the Services Contract Daily Rates

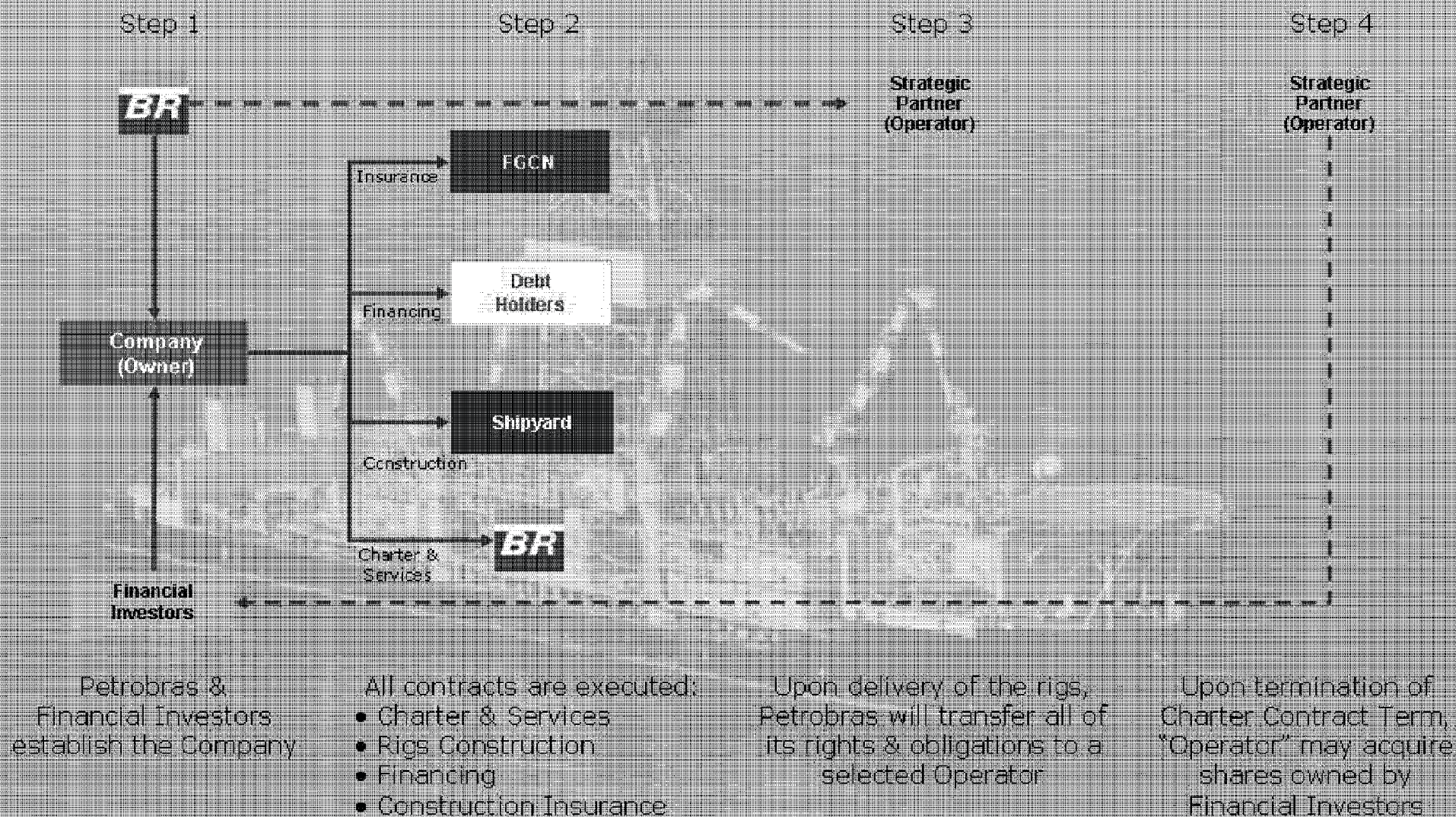


Charter Daily Rates Determination – Finance Model

- Petrobras' finance model determines what should be the minimum charter daily rates resulting out of a given drilling rig construction cost, so that there will be always enough revenue to cover all obligations and expenses, above an additional margin: the Debt Services Covered Ratio (DSCR), including:
 - Senior Debt Service repayment
 - Shareholders return (ROCE)
 - Administrative costs
 - Construction works management costs
 - Taxes
 - Funding of the Performance and Renewal Funds
 - Drilling Rig Operation expenses (plus Operator margin)
 - Rig insurances
 - Spare Parts
 - Others

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Project Strategy Timeline



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Main benefits brought by the Finance Structure

Benefits	Petrobras	Federal Govern	Investor	Operator
Feasibility for the rigs construction in Brazil, stimulating the creation of a new, modern and competitive naval construction in the Country	✓	✓		
Availability for Petrobras of new and up to date drilling rigs with charter daily rates aligned to market prices	✓		✓	✓
Non recourse structure to any shareholder (Petrobras, Finance Investors and Operators)	✓		✓	✓
Low flow of disbursements for any shareholder (Petrobras, Finance Investors and Operators)	✓		✓	✓
Long term charter contracts with a preferential right to purchase finance investors shares at the end of the charter term (by Operator)				✓
Traditional and reliable operators will participate to use their experience in favor of the Project	✓			✓
Offshore Deepwater Drilling Operations will be fast developed in Brazil, creating a competitive, sound and sustainable new market in the Country	✓	✓	✓	✓

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Final Remarks

- Oil Industry is definitively moving to Brazil;
- Brazilian Authorities' requirements indicate an upward trend for Brazilian goods and services participation, in almost all applications;
- In some cases, standard ways of doing and implementing businesses may not be so effective for overcoming the new challenges;
- But it is possible to achieve feasibility and even to increase profitability in such scenarios of drastic changes;
- Petrobras would like to invite all players to join us in finding solutions for existing and new challenges, using know-how, experience and creativity.
- One may say that the new environment would impair their business. Well, could be ...
- But we strongly believe that it is always possible to make a tasteful and refreshing lemonade from a bitter lemon...

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Thank you

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General Manager
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From: Denis CASTRO <denis.castro@sgcib.com>
To: Corrigan, Kevin
Sent: 9/27/2010 5:10:24 PM
Subject: Petrobras & drilling rigs [C1]
Attachments: Joao Carlos Ferraz.pdf; pic08925.jpg

Kevin, veja recente apresentação da Petrobras que pode ajudar a entender o novo "tender" das plataformas a serem construídas no Brasil. Teoricamente tem plano A e B, porém parece improvável que o plano A seja factível para a totalidade das unidades. A Petrobras recebeu poucas propostas de operadores locais e com preços bastante altos de acordo com informações que eu tive acesso. Qualquer dúvida estou a disposição. Espero que seja útil. Abraço,
Denis

(See attached file: Joao Carlos Ferraz.pdf)

(Embedded image moved to file: pic08925.jpg)

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